Democratising Prosperity: Global Perspectives on Housing Affordability

Housing Affordability Crisis in Australia
EXAMPLE OF BRISBANE

Housing Affordability in the USA
THE RULE, NOT THE EXCEPTION

OUTLINE
UNDERSTANDING “URBAN SPRAWL”
PUBLIC TRANSPORT: HOPELESS RHETORIC
PORTLAND: FAILED MODEL
BACKGROUND: DEMOCRATISING PROSPERITY
HOME OWNERSHIP AND PROSPERITY
THREATENING THE GREAT AUSTRALIAN DREAM
“places not worth caring about”
- James Howard Kunstler (The Geography of Nowhere)

NOT A BRIEF
FOR SPRAWL
LONE MOUNTAIN
COMPACT
“... absent a material threat to other individuals or the community, people should be allowed to live and work where and how they like.”

Understanding Urban Sprawl

Paris to Tourists & Urban Planners

Tourist Paris is Not Paris
DIFFERENCE BETWEEN AUSTRALIA & EUROPE: HISTORY

Population
82% Outside City of Paris

Employment
67% Outside City of Paris

Paris Missed by Tourists & Planners

The Great German Dream
Leipzig

The Great French Dream
Paris
MODERN “SPRAWL” = AUTO ORIENTED DEVELOPMENT

Merriam Webster: “the spreading of urban developments on undeveloped land near a city”

Sprawl is “suburbanisation.”

Sprawl is “urban growth” – nearly all urban growth in the high-income world has been suburban in recent decades.

Sprawl = Automobile oriented development (especially in Australia, the US, Canada, Western Europe and Japan).

Urban Sprawl is Suburbanisation
HISTORY OF URBAN GROWTH IS HISTORY OF SPRAWL

Australia: No Shortage of Land
AGRICULTURE & FARM LAND: 1981-2002

The Declining Human Footprint
MIRRORS TREND IN CANADA & UNITED STATES

Urban Areas: Historical Densities

Brisbane World’s Most Beautiful Suburbs?

The Declining Human Footprint
MIRRORS TREND IN CANADA & UNITED STATES

Urbanisation ➞2001 (<0.3%)

Substantial Productivity Improvements

Human ➔ Footprint Reduction 1981-2002

Agriculture & Urban

Urban Areas: Historical Densities

London

New York

Los Angeles

Population per Square Kilometer
Universality of Auto-Based Sprawl
URBAN DENSITIES COMPARED TO PRE-AUTO ERA

Pre-Auto  Japan  W. Europe  Australia  Canada  U.S.
1900  Now

Urban Population Per Square Kilometer

Suburbanisation in Barcelona
Suburbanisation in Athens
Suburbanisation in Tokyo

The Great Spanish Dream
Barcelona

The Great Greek Dream
Athens

The Great
Spanish Dream
Barcelona

Suburbs
Core

Suburbs
Core

Suburbs
Core

Urbanisation 7,000 Square KM
**The Great Japanese Dream**

- Tokyo
- Urban Population Per Square Kilometer
- Sydney More Sprawling than Los Angeles
- Los Angeles Least Sprawling in New World

**The Great Romanian Nightmare**

- Bucharest
- Ceaucescu: Understood Curbing Sprawl
- Father of Urban Consolidation

**The Automobile is Here to Stay**

- No one proposes return to pre-auto era
- Share of motorized travel in urban areas over 1,000,000

**Toronto Area Green Belt Plan**

- Much pain, little gain

**The Automobile is Here to Stay**

- No serious proposals.
- Would require dismantling more than 85% of urban area & resettlement.
- Auto oriented urban area is here to stay.
- Densification worsens the quality of life.

**Restore Public Transport City?**

- Reject auto based urban area?
Suburbanisation Dilutes Congestion
TRAFFIC INTENSITY IN WORLD URBAN AREAS

Suburbanisation Speeds Up Traffic
TRAFFIC SPEEDS IN WORLD URBAN AREAS

Suburbanisation: Faster Work Trips
INTERNATIONAL EXAMPLES

Higher Density Means More Traffic
DEMAND AT 10 & 15 DWELLINGS/HECTARE

More Air Pollution at Lower Speeds

Based Upon Index of 1.00 at Lowest Point for Each Pollutant By KM per Hour
ROADWAY AIR POLLUTION PROGRESS IN EUROPE (EU-15)
Gross levels down 60% or more in 11 years

Urban Villages: Insignificant & Futile
"JOBS-HOUSING BALANCE:" THE RECORD
Example: London Area New Towns

Suburban Cost Research
U.S.A. "CANNOT AFFORD" SUBURBANIZATION?
• How did we manage to afford the last 60 years?
• Bankrupt suburbs predictions: 1960s
• Studies: Theoretical, not real data.
• $225 billion US cost claim (to 2025) $30 per capita annually

Exaggerating Suburban Costs
US SUBURBS LESS EXPENSIVE THAN CORES

Impact Fees per Dwelling Unit
TALE OF TWO CITIES: SYDNEY AND ATLANTA

"Jobs-Housing Balance" Myth
THE RECORD
Hong Kong: Average Work Trip 7.7 KM
Suburban Cost Research
“ILL INFORMED & DISINGENUOUS”

“... if the urban policies ... were not so ill informed and presented in such a disingenuous way, there would not be a need for this contribution to the debate on Australia's cities”

- Patrick Troy (The Perils of Urban Consolidation).

NOT SINCE COPERNICUS
... has the conventional wisdom been so wrong. no imperative has been demonstrated.

Public Transport: Hopeless Rhetoric

Not enough people going to the same place at the same time

Don Valley Parkway & Commuter Rail
Toronto

Public Transport Work Trip Share
IMPORTANT TO CBD, A SMALL PART OF THE MARKET

Sydney Area Employment
CBD: Work Trip Share

Elsewhere: Work Trip Share

Auto-Competitive Public Transport
ONLY TO DOWNTOWN

Most Employment is not Downtown

Nor West Business Park
Sydney
High or Low Density in Suburbs MAKES NO DIFFERENCE IN PUBLIC TRANSPORT

Auto Competitive Public Transport SYSTEM DESIGNED FOR PORTLAND (800M GRID)

High Income World Urban Areas Over 3,000,000

Urban Rail in the USA DEMAND DRIVEN BY AVAILABILITY OF FEDERAL $

Misleading or “Doubtful” Information UNREALISTIC EXPECTATIONS FOR PUBLIC TRANSPORT

Portland: Failed Model CHEERLEADERS ARE UNRELIABLE REPORTERS

Portland Suburbs

Melbourne 2030 PLAN Reduction of Auto Market Share in Percentage Points Goal is many times previous record

New Auto-Oriented Commercial Development
Portland: Most Growth Suburban
METROPOLITAN AREA: 2000-2004
Core +0.8%
Suburbs +9.4%
136,000

Public Transport Market Share
BRISBANE MORE THAN 2X PORTLAND

Portland v. Houston: Traffic
1986-2001: 30 MINUTE PEAK AUTO TRAVEL DISTANCE
Portland: Transit & “Compact City”
Houston: Highways & Market

Traffic Congestion in Portland
ONE OF LARGEST INCREASES IN THE NATION

The Bloating Urban Growth Boundary
PORTLAND RETREATS – RESPONDING TO REALITY

Among Greatest Congestion Increases
From Worst to 14th Worst Congestion

58% Traffic Increase Already Exceeded
Urban Consolidation: Not Sustainable
RETREAT: PORTLAND AND ELSEWHERE

Portland
- Anti-densification referendum (2/3)
- Property Rights referendum (2/3)
  (Requirement to pay for economic loss from zoning & land use changes)

Other Retreats
- Minneapolis-St. Paul
- New Jersey
- Maryland
- Suburban Washington, DC
- Melbourne – 9 meter height limit

Background: Democratising Prosperity

Every Society Has Rich Households

Affluent Economies Have Achieved a Democratisation of Prosperity

What Distinguishes Societies is the Extent of Poverty Overwhelming Reality
History of the World is the History of Poverty

GDP-PPP Per Capita 1990$A (OECD)

United States
Japan
Australia
Western Europe


Economic Progress is Not Automatic
The Case of Argentina

GDP-PPP Per Capita 1990$A (OECD)

United States
Japan
Australia
Western Europe
Argentina


How Urban Residents Used to Live (And Some Still Do)

Central Athens, 2005

Home Ownership and Prosperity

The Great Japanese Dream
Sapporo

GDP/Capita: 1990

100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%

Australia UK USA France Sweden Japan

Purchasing Power Party

GDP/Capita: 2003

100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%

Australia UK USA France Sweden Japan

Purchasing Power Party


**STRENGTH OF THE LIBERAL ECONOMIES**

"Competitive intensity"

Examples: Less restrictive land regulation

Retailing

---

**HOME BUILDING: AUSTRALIA & EUROPE (1990s)**

- Germany
- Australia

- Competitive Intensity

---

**Houses: A Principal Share of Wealth**

ABS: 1996

- Home 43%
- Household 17%
- Savings 12%
- Securities 8%
- Other 21%

---

**Democratisation of Prosperity: Associated with Personal Mobility**

- Real Per Capita GDP/Household
- Autos per Household

---

**Democratisation of Prosperity is Associated with Urban Growth**

- United States Growth x1,000,000

---

**Democratization of Prosperity is Associated with Suburbanization**

- Canada
- United States
- Western Europe
- Japan
- Australasia

---
Democratisation of Prosperity: Associated with Rising Home Ownership

<table>
<thead>
<tr>
<th>Year</th>
<th>Renters</th>
<th>Home Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>2001</td>
<td>20%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Threatening the Dream

BASIC ECONOMIC PRINCIPLE
SCARCITY & RATIONING TEND TO RAISE PRICES

Rationing land for housing development tends to raise house prices.

Higher housing prices lead to lower rates of home ownership.

ANDRES DUANY
There is NO question that urban growth boundaries and that elaborate environmental public processes increase the cost of housing by creating scarcity. (And don’t tell me otherwise, because I am not stupid, nor am I inexperienced, nor do I have underdeveloped powers of observation).

Smart Growth: Strategies & Housing Impacts

<table>
<thead>
<tr>
<th>STRATEGIES</th>
<th>EXAMPLES</th>
<th>IMPACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Growth Boundaries &amp; Green Belts</td>
<td>Australia, Portland, Denver</td>
<td>Raises housing prices</td>
</tr>
<tr>
<td>Down-zoning</td>
<td>Northern Virginia, Boston</td>
<td>Raises housing prices</td>
</tr>
<tr>
<td>Excessive Development Impact Fees</td>
<td>Australia, California</td>
<td>Raises housing prices</td>
</tr>
</tbody>
</table>

...our evidence suggests that zoning and other land use controls play the dominant role in making housing expensive.

Harvard Institute of Economic Research

The Impact of Zoning on Housing Affordability

By Richard L.飙线 and Joseph Glaeser
March 2001
Harvard University
Cambridge, Massachusetts

Visit our website for additional materials: http://www.economics.harvard.edu/hier

Italian Dream
Milan
“Development constraints drive up land and construction costs as well as prevent new housing from keeping pace with rising demand.”

“We have identified three major factors which have worked to restrain supply over the past decade, all of which remain very much alive and well today. The first is the spread of the Smart Growth, Slow Growth and No Growth movements throughout the country.”

“A number of communities … have used smart growth rhetoric to justify restricting growth and limiting developable land supply, which lead to housing cost increases.”

“metropolitan areas with stringent development regulations generate less employment growth than expected given their Industrial bases”

“The nightmare scenario for the British economy could be that a ‘tipping point’ was reached where the financial services industry of the city decamps to cheaper cities elsewhere in Europe.”
House Price/Income Multiple
A SIMPLIFIED MEASURE

- Median house price divided by median household income.
- Permits ready comparison, national and international
- Simplified and understandable
- Historical value: Approximately 3.0

GROWTH CONTROLS: LARGEST PRICE ESCALATION

Housing Affordability: US Urban Areas
2000 CENSUS

US House/Income Multiple: 2000
CENSUS DATA: LARGE URBAN AREAS

Housing Cost Multiple: 2004
AUSTRALIA, NZ, CANADA & USA: OVER 1M METRO AREAS
Housing Affordability Crisis in Australia
EXAMPLE OF BRISBANE

New Lots & Population Growth
SOUTHEAST QUEENSLAND (URBAN)

Land Rationing Raises Land Prices
500 TIMES INCREASE IN S.E. ENGLAND

Urban Population Density
TALE OF TWO CITIES: BRISBANE & RALEIGH-DURHAM

Metropolitan Area Population: 2003
TALE OF TWO CITIES: BRISBANE & RALEIGH-DURHAM

Metropolitan Area Growth: 2000-2003
TALE OF TWO CITIES: BRISBANE & RALEIGH-DURHAM
TALE OF TWO CITIES: BRISBANE & RALEIGH-DURHAM

Auto & Public Transport Share

- Raleigh-Durham: 100%
- Brisbane: 95%

House Price Multiple: 2004

- Raleigh-Durham: 3.2
- Brisbane: 6.0


The Democratisation of Prosperity is Not Complete

- Home Owners
- Renters

Land Rationing: Toward a Nation of Renters: Restoring Inheritance as the Deciding Factor

- Renters: 70%
- Home Owners: 40%
- Eventual Rates Based Upon Housing Price Multiples: 15%

STRONG ECONOMIC GROWTH: IS NECESSARY

But “Smart Growth” constitutes an assault on the economy.

CHICAGO SUN-TIMES
Looming Social Security crisis demands action now

CFOs expect pension crisis to linger

news.telegraph
Public sector pension bill for taxpayers hits £40bn

By Tony Cragg, Pension Finance Editor

Solving the Global Public Pensions Crisis

CAO Online Policy Report
The Great Canadian Dream
Toronto

THERE IS NO REASON TO STOP DEMOCRATISING PROSPERITY

Living in the “Future Tense”
THE UNIVERSALITY OF ASPIRATION

Valencia (Spain) Suburbs

The Great Swedish Dream
Stockholm Hus Expo

The Great Portuguese Dream
Lisbon

The Great Australian Dream
HAS BECOME THE GREAT UNIVERSAL DREAM

The Great Romanian Dream
Bucharest

The Great Universal Dream
VISITING THE NEW HOUSE IN BARCELONA
Getting the Priorities Straight

Do people exist for cities?

or…

Do cities exist for people?

PLANNING REFORM: Back to Basics:

Not telling people how to live…

Rather, helping people live as they prefer